



# Brochure

# PDN's Investment policy

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## Why does PDN invest?

Pension premiums alone are not sufficient to cover the monthly pension payments. Some of the pension payments must be financed from the returns on the accumulated assets. To achieve the required income (returns), PDN invests its assets. If the financial position of the fund proves to be solid, the fund may index pension accrual and pensions in payment, so that purchasing power is maintained as much as possible.

On average investments yield higher returns than a savings account, but the income can be higher at some times than at others. To compensate for these fluctuations, the pension fund is obliged by law to maintain financial reserves.

## How does PDN invest its assets?

To avoid running excessive risk, PDN distributes its investments amongst various categories, for example:

### *Equities*

Through equities, PDN acquires an interest in the assets of companies all over the world. In the longer term, this produces a higher return than bonds, but the risk is relatively high.

### *Fixed-income securities*

These are bonds and loans. They are used to lend money worldwide to governments and companies. The return (or interest earnings) is generally stable.

In addition PDN also invests in Dutch residential mortgages.

### *Inflation-linked bonds*

These are bonds with a fixed real rate of return, so that the investor is compensated for inflation (monetary depreciation).

### *Alternative investments*

This category of investments is expected to yield an attractive return in the medium term. The aim of the investments in this part of the portfolio is therefore aimed at an attractive return without being dependent on so-called 'benchmarks' (market indices such as the AEX). This category includes investments in micro financing, infrastructure and commodities.

### *Real estate*

There are two ways of investing in real estate: directly (houses, shops and offices) and indirectly (shares in property investment funds). PDN only invests indirectly in worldwide real estate.

### *Overlays*

The above investments are made in different currencies. As the currencies can also rise or fall in value against the Euro, some of the yield of an internationally distributed portfolio can also come from currency returns. Currency overlay is a method of separating the currency return from the return on the underlying securities and thus reducing currency risk.



Since the interest sensitivity of the pension commitments is different from that of the investments, the pension fund is exposed to interest risk. To limit this risk, part of it can be hedged, for instance by means of derivatives. This interest overlay method also determines part of the return on investments.

### Who draws up PDN's investment policy?

The PDN Board draws up the investment policy annually in the investment plan. This states, amongst other things, the percentage of the assets that must be invested in selected investment categories.

The results are evaluated quarterly.

While determining its investment policy, the Board may call in the advice of DSM Pension Services and/or from external investment advisors.

### How well is the pension fund performing?

An important measure of the financial position of pension funds is the funding level.

The funding level shows to what degree the pension assets cover the (estimated) pension liabilities. In other words: does the pension fund have the required capital available to pay out all the pensions now and in the future? At a funding level of 100% all nominal liabilities can be fulfilled. However, this is just a snapshot. To be able to absorb any underperformance, a significantly higher funding level is needed.

Pension funds calculate their policy funding level – the funding level being an average value based on the past twelve month period.

The policy funding level is announced each quarter on the PDN website. The percentage assessed on the last day of the quarter is

shown. The total return on the invested assets consists of direct and indirect income. In addition to exchange rate movements, this also includes factors such as interest and dividends. The future pension entitlements are calculated at the current market rate under the statutory requirements (the Financial Assessment Framework).

More information about the current policy funding level can be found on the website under the heading '[Funding Level and other financial figures](#)'.

More about PDN's investment policy is listed on the website under '[About us / Investment Policy](#)'.



## Contact



If you have any questions about your pension visit the website: [www.PDNpensioen.nl](http://www.PDNpensioen.nl)  
or contact our Pension Desk:  
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## Pension regulations



Read more about PDN's investment policy in the pension regulations by clicking on the icon.

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